

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**WINONA COUNTY**  
**WINONA, MINNESOTA**

YEAR ENDED DECEMBER 31, 2017

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

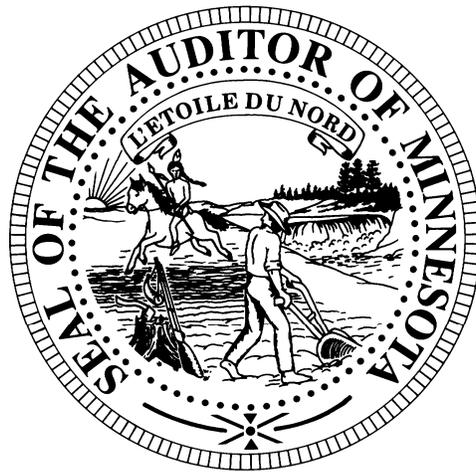
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WINONA COUNTY  
WINONA, MINNESOTA**

**Year Ended December 31, 2017**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**WINONA COUNTY  
WINONA, MINNESOTA**

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WINONA, MINNESOTA**

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WINONA, MINNESOTA**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2017**

Office	Name	Term Expires
<b>Commissioners</b>		
First District	Jim Pomeroy	January 2019
Second District	Marie Kovcesi	January 2019
Third District	Steve Jacob	January 2021
Fourth District	Greg Olson	January 2021
Fifth District	Marcia Ward	January 2019
<b>Officers</b>		
<b>Elected</b>		
Attorney	Karin Sonneman	January 2019
Recorder	Robert Bambenek	January 2019
Sheriff	Ron Ganrude	January 2019
Auditor/Treasurer	Sandra Suchla	January 2019
<b>Appointed</b>		
Administrator	Kenneth Fritz	Indefinite
Assistant County Administrator/ Personnel Director	Maureen Holte	Indefinite
Community Health Director	Heather Johnson	Indefinite
County Assessor	Steven Hacken	December 2020
Planning & Environmental Services Director	Kay Qualley	Indefinite
Building Superintendent	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2019
Information Technology Director	Mark Anderson	Indefinite

**WINONA COUNTY  
WINONA, MINNESOTA**

**ORGANIZATION OF THE COUNTY**

An elected Board of County Commissioners, officials appointed by the Board, and other elected officials manage Winona County. The Board of County Commissioners is elected by districts, while all other elected County officials are elected at large.

Elected officials are primarily responsible to the voters of Winona County and the State of Minnesota. They are also under certain jurisdiction of the County Board as defined in state statutes.



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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Winona County  
Winona, Minnesota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winona County's basic financial statements. The supplementary information section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2018, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Winona County internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winona County's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

August 9, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(Unaudited)**

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

**FINANCIAL HIGHLIGHTS**

- At the end of 2017, Winona County's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$92.3 million (net position). Of that amount, \$8.1 million is restricted; \$0.1 million is unrestricted net position and may be used to meet the County's ongoing obligations to citizens and creditors. The remaining \$84.1 million is the net investment in capital assets.
- At the close of the current year, the ending fund balances for all governmental funds were \$23.9 million. This is an increase of \$0.2 million from the previous year. Of the combined ending fund balances, \$11.9 million is unassigned fund balance available for spending by the County.
- At the end of the year, the General Fund's unassigned fund balance was \$12.1 million. The County is not able to assign for cash flow and compensated absences due to Governmental Accounting Standards Board (GASB) Statement 54. The County will pay for compensated absences and cash flow from the unassigned fund balance.
- Total long-term debt decreased by \$1.2 million, or 41.4 percent, during the year. The decrease was mainly due to reduction in principal.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The three main sections of this report are: introductory, financial, and supplementary. The introductory section contains the County's organizational structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The

required supplementary information section contains the budget-to-actual presentations for the County's major special revenue funds and the General Fund. Other supplementary information is included to enhance reader understanding of the County's financial activity. An example is information about federal grant programs.

The government-wide financial statements are designed to provide the reader with a long-term and broad overview of the County's finances as a whole in a manner similar to a private-sector business. To accomplish this goal, transactions are valued on a full accrual basis.

The Statement of Net Position presents information on all County assets and deferred outflows of resources (what we own), and liabilities and deferred inflows of resources (what we owe). The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as net position. Over time, changes in net position may be an indication of an improving or deteriorating County financial position.

The Statement of Activities presents information on the change in net position for the most recent year. Said changes are reported as soon as a financial event results in a change, regardless of the timing of related cash flows. Therefore, results reported will result in cash flows in a future period (for example, uncollected property taxes and earned, but unused, vacation leave).

The principal support for governmental activities for Winona County is property taxes and intergovernmental revenue. Included in governmental activities are:

- general government,
- public safety,
- highways and streets,
- human services,
- health,
- sanitation,
- culture and recreation,
- conservation of natural resources, and
- economic development.

General government includes services such as general administration, courts, property assessment, records management, and tax collections. Additional information is included in the notes to the financial statements.

Budgetary comparisons--Winona County adopts an annual budget for all governmental funds, and budgetary comparison schedules are presented for each fund.

Notes to the financial statements--The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net position may be a useful indicator of a government's financial position over time. As of December 31, 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$92.3 million. The following table provides a summary of Winona County's governmental net position.

<b>Governmental Net Position</b>			
	<u>2017</u>	<u>2016</u>	<u>Percent Change (%)</u>
<b>Assets</b>			
Current and other assets	\$ 30,011,288	\$ 29,181,051	3
Capital assets	<u>85,774,399</u>	<u>88,185,605</u>	(3)
Total Assets	<u>\$ 115,785,687</u>	<u>\$ 117,366,656</u>	(1)
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows	<u>\$ 6,886,180</u>	<u>\$ 12,339,789</u>	(44)
<b>Liabilities</b>			
Current and other liabilities	\$ 2,126,827	\$ 2,757,276	(23)
Long-term liabilities	<u>21,805,455</u>	<u>29,662,094</u>	(26)
Total Liabilities	<u>\$ 23,932,282</u>	<u>\$ 32,419,370</u>	(26)
<b>Deferred Inflows of Resources</b>			
Deferred pension inflows	\$ 5,933,918	\$ 2,787,443	113
Prepaid taxes	397,617	-	100
Advance allotments	<u>125,075</u>	<u>201,066</u>	(38)
Total Deferred Inflows of Resources	<u>\$ 6,456,610</u>	<u>\$ 2,988,509</u>	116
<b>Net Position</b>			
Net investment in capital assets	\$ 84,071,821	\$ 85,268,536	(1)
Restricted	8,099,738	5,965,147	36
Unrestricted	<u>111,416</u>	<u>3,064,883</u>	(96)
Total Net Position	<u>\$ 92,282,975</u>	<u>\$ 94,298,566</u>	(2)

The largest portion of Winona County’s net position, 91.1 percent, or \$84.1 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt; however, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$8.1 million of the County’s net position, or 8.8 percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as public safety projects.

The remaining \$0.1 million of net position, or 0.1 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors.

Change in net position--In 2017, government-wide expenses exceeded revenues by \$2.0 million, thereby decreasing net position. Net position changed as follows:

<b>Change in Net Position</b>			
	<u>2017</u>	<u>2016</u>	<u>Percent Change (%)</u>
<b>Revenues</b>			
Program revenues			
Fees, charges, fines, and other	\$ 4,327,420	\$ 3,065,095	41
Operating grants and contributions	15,901,798	15,736,602	1
Capital grants and contributions	16,886	281,610	(94)
General revenues			
Property taxes	17,318,906	16,306,011	6
Grants and contributions not restricted to specific programs	3,011,971	2,997,904	1
Local sales tax	2,478,703	-	100
Unrestricted investment earnings	115,942	163,563	(29)
Other	590,874	570,049	4
<b>Total Revenues</b>	<b>\$ 43,762,500</b>	<b>\$ 39,120,834</b>	<b>12</b>
<b>Expenses</b>			
General government	\$ 8,671,807	\$ 8,791,185	(1)
Public safety	8,370,964	8,905,864	(6)
Highways and streets	9,814,905	10,660,427	(8)
Sanitation	1,330,514	1,296,259	3
Human services	14,868,580	13,930,141	7
Health	1,269,964	1,363,787	(7)
Interest	67,295	99,189	(32)
Other	1,384,062	1,289,248	7
<b>Total Expenses</b>	<b>\$ 45,778,091</b>	<b>\$ 46,336,100</b>	<b>(1)</b>

	2017	2016	Percent Change (%)
Change in Net Position	\$ (2,015,591)	\$ (7,215,266)	(72)
Net Position, Restated - January 1	94,298,566	101,513,832	(7)
Net Position - December 31	\$ 92,282,975	\$ 94,298,566	(2)

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenues available to fund expenses. Program revenues derive from the program itself or outside the County's taxpayers or citizenry and help reduce the cost of the program.
- General revenues by source indicate the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 39.6 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$17.3 million are leveraged to provide \$45.8 million in services.

Governmental activities decreased Winona County's net position by \$2.0 million, which is 4.6 percent of current year revenues, 4.4 percent of current year expenses, or 2 percent of beginning net position. The following is the major component of this decrease:

- Overall, expenses decreased by 1 percent from 2016 to 2017 due to delay in road and bridge projects.

## **FUND LEVEL FINANCIAL ANALYSIS**

The fund financial statements provide more detailed information than the government-wide statements. Using separate funds provides a way to ensure and demonstrate compliance with finance-related legal requirements.

The funds are separated into two categories: (1) governmental funds and (2) fiduciary funds.

**Governmental funds** are used to account for the same functions or programs reported as governmental activities in the government-wide financial statements, such as general government or human services. However, the governmental fund financial statements differ from the government-wide statements.

The focus of Winona County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account on the governmental fund financial statements, while it is disregarded in the government-wide statements. This information may be useful in evaluating a government's near-term financing requirements as well as the available resources. Reconciliations of governmental funds to government-wide governmental activities appear in Exhibits 4 and 6.

For the year ended December 31, 2017, the combined ending fund balances of governmental funds were \$23.9 million. Approximately 74.6 percent, or \$17.9 million, of the combined ending fund balances consist of unassigned and assigned fund balances. Assigned fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it is restricted or in nonspendable form for the following purposes:

- inventories,
- missing heirs,
- debt service,
- forfeited property,
- donations,
- loans receivable, and
- other restricted for specific purposes.

Winona County has three major governmental funds. These funds are: (1) General Fund, (2) Road and Bridge Special Revenue Fund, and (3) Community Services Special Revenue Fund.

- (1) The General Fund is the primary operating fund of Winona County. The General Fund's fund balance was \$13.9 million at the end of 2017. Of that amount, \$1.6 million is restricted for such items as forfeited property and donations. Nonspendable fund balance of \$77.3 thousand is for missing heirs. In addition, the Board of County Commissioners has assigned \$82.0 thousand for employee wellness, tobacco settlement, and master gardeners. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unassigned fund balance is \$12,076,865, or 74 percent, of 2017 expenditures, while total fund balance is 85 percent of the same amount. The County is not able to assign fund balance for compensated absences and cash flow due to GASB 54. Winona County will use the unassigned amount to cover compensated absences and cash flow. A listing of compensated absences can be obtained in Note 3.C.2. (Compensated Absences). The second purpose is to compare the unrestricted fund balance percentages to the

recommended percentage given by the Office of the State Auditor. The recommendations are 35 to 50 percent of operating revenues, or no less than five months of expenditures. Winona County's General Fund unrestricted fund balance is sufficient to cover almost nine months of expenditures.

When compared to 2016, the ending fund balance of the General Fund decreased \$1,190,029.

- (2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$7.0 million fund balance at the end of 2017 that represented a \$2.2 million, or 47 percent, increase from 2016. The increase was due to revenues recognized in the current year for the advancement of highway funds.
- (3) The Community Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services and health programs supported by federal, state, and local taxpayer dollars. The fund had a \$6 thousand fund balance at the end of 2017, representing a \$0.5 million, or 99 percent, decrease from the 2016 fund balance. The decrease was due to increased out-of-home placements and additional staff hired. This decrease was offset by a transfer from the General Fund to the Community Services Special Revenue Fund in the amount of \$1.2 million.
- (4) The Recycling and Solid Waste Special Revenue Fund exists to account for recycling and solid waste expenditures. The fund was established in 2016, and the fund balance at the end of 2017 was \$348 thousand.
- (5) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2017 was \$580 thousand. The fund balance increased by \$63 thousand.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County. Since the resources of those funds are not available to support the County's programs, these funds are not included in the government-wide financial statements. Winona County has fiduciary funds for a private-purpose trust and five agency funds. Agency funds are custodial in nature and do not involve measurement of the results of operations.

The basic fiduciary funds financial statements are Exhibits 7 and 8 of this report.

### **General Fund Budgetary Highlights**

The Winona County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2017, the Board of County Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>
Board-adopted (Original)	\$ 16,663,775	\$ 18,081,784	\$ 464,784
Board-adopted (Final)	16,763,775	18,240,117	523,117
Board-adopted (Actual)	16,248,255	16,285,407	(1,152,877)

The adopted budget anticipated revenues of \$16,663,775, expenditures of \$18,081,784, and other financing sources of \$464,784.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Winona County's investment in capital assets for its governmental activities as of December 31, 2017, was \$85.8 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

Additional information about capital assets can be found in Note 3.A.3.

	<u>Capital Assets</u>		<u>Percent Change (%)</u>
	<u>2017</u>	<u>2016</u>	
Capital assets not depreciated			
Land	\$ 6,140,419	\$ 6,138,087	-
Construction in progress	329,076	271,498	21
Total capital assets not depreciated	<u>\$ 6,469,495</u>	<u>\$ 6,409,585</u>	1
Capital assets depreciated			
Buildings	\$ 26,276,304	\$ 26,276,304	-
Improvements other than buildings	485,641	485,641	-
Machinery, furniture, and equipment	10,792,322	11,462,071	(6)
Infrastructure	75,824,278	75,824,278	-
Total capital assets depreciated	<u>\$ 113,378,545</u>	<u>\$ 114,048,294</u>	(1)

	Capital Assets		Percent Change (%)
	2017	2016	
Less: accumulated depreciation for			
Buildings	\$ 4,756,214	\$ 4,477,554	6
Improvements other than buildings	271,633	258,458	5
Machinery, furniture, and equipment	7,063,560	6,972,041	1
Infrastructure	21,982,234	20,564,221	7
Total accumulated depreciation	\$ 34,073,641	\$ 32,272,274	6
Total capital assets depreciated, net	\$ 79,304,904	\$ 81,776,020	(3)
Governmental Activities			
Capital Assets, Net	\$ 85,774,399	\$ 88,185,605	(3)

### Outstanding Long-Term Debt

At the end of the current year, Winona County had three general obligation bond issues and a capital lease.

#### Outstanding Long-Term Debt

	Governmental Activities	
	2017	2016
Loans	\$ -	\$ 57,376
Capital lease	73,875	96,234
General obligation bonds	1,645,000	2,780,000
Total	\$ 1,718,875	\$ 2,933,610

The outstanding debt listed above for Winona County decreased \$1,214,735, mainly due to principal reduction for the 2017 payment.

The most recent bond rating the County has received is AA.

Additional information about Winona County's long-term debt can be found in Notes 3.C.3. to 3.C.5. in the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

### Unemployment

The 12-month average for unemployment in 2017 for the U.S., Minnesota, and Winona County was 4.35 percent, 3.6 percent, and 3.2 percent, respectively. This compared to 2016 averages of 4.9 percent, 3.8 percent, and 3.6 percent.

### New Construction

New construction for all of Winona County was valued at \$34.3 million in 2017, which is payable in 2018.

### State Financial Position

The state forecast is better than it has been in previous years. The county program aid for counties will have a slight increase for all counties. At the present time, counties do not have levy limits. There have been no significant mandate reliefs for counties.

### Budgeting Approach

The Winona County Board of Commissioners continues to use a three-prong approach to budgeting. The budget is balanced using an approach to reduce expenditures where possible, increase revenue sources, and use cash reserves.

All of these factors are being considered in preparing the Winona County budget for 2019.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Winona County's finances for those with an interest in the government's financial activities. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Patrick Moga, Finance Director, 177 Main Street, Winona, Minnesota 55987. The telephone number is 507-457-8820.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

**Assets**

Cash and pooled investments	\$ 23,320,738
Petty cash and change funds	2,950
Taxes receivable - delinquent	313,603
Special assessments receivable - delinquent	25,128
Accounts receivable - net	729,435
Accrued interest receivable	54,374
Loans receivable	1,310,651
Due from other governments	3,947,788
Inventories	306,621
Capital assets	
Non-depreciable	6,469,495
Depreciable - net of accumulated depreciation	79,304,904
	<hr/>
<b>Total Assets</b>	<b>\$ 115,785,687</b>

**Deferred Outflows of Resources**

Deferred pension outflows	\$ <b>6,886,180</b>
---------------------------	---------------------

**Liabilities**

Accounts payable	\$ 899,538
Salaries payable	705,524
Contracts payable	196,321
Due to other governments	282,758
Accrued interest payable	27,061
Customer deposits	15,625
Long-term liabilities	
Due within one year	991,013
Due in more than one year	2,971,986
Net pension liability	16,364,947
Net other postemployment benefits obligation	1,477,509
	<hr/>
<b>Total Liabilities</b>	<b>\$ 23,932,282</b>

**Deferred Inflows of Resources**

Prepaid taxes	\$ 397,617
Advance allotments	125,075
Deferred pension inflows	5,933,918
	<hr/>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 6,456,610</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

**Net Position**

Net investment in capital assets	\$ 84,071,821
Restricted for	
General government	855,535
Public safety	694,670
Highways and streets	4,137,370
Culture and recreation	2,270
Debt service	671,788
Economic development	1,492,244
Conservation of natural resources	91,243
Human services	154,618
Unrestricted	<u>111,416</u>
<b>Total Net Position</b>	<b><u>\$ 92,282,975</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b><u>Functions/Programs</u></b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 8,671,807	\$ 1,539,837	\$ 478,848	\$ -	\$ (6,653,122)
Public safety	8,370,964	364,698	695,876	-	(7,310,390)
Highways and streets	9,814,905	676	6,374,781	16,886	(3,422,562)
Sanitation	1,330,514	1,222,190	208,248	-	99,924
Human services	14,868,580	222,577	6,725,929	-	(7,920,074)
Health	1,269,964	842,685	941,071	-	513,792
Culture and recreation	319,608	3,005	-	-	(316,603)
Conservation of natural resources	817,093	96,759	384,139	-	(336,195)
Economic development	247,361	34,993	92,906	-	(119,462)
Interest	67,295	-	-	-	(67,295)
<b>Total Governmental Activities</b>	<b>\$ 45,778,091</b>	<b>\$ 4,327,420</b>	<b>\$ 15,901,798</b>	<b>\$ 16,886</b>	<b>\$ (25,531,987)</b>
<b>General Revenues</b>					
Property taxes				\$ 17,318,906	
Mortgage registry and deed tax				34,452	
Local option sales tax				2,478,703	
Taxes - other				3,370	
Payments in lieu of tax				324,335	
Grants and contributions not restricted to specific programs				3,011,971	
Unrestricted investment earnings				115,942	
Miscellaneous				228,717	
<b>Total general revenues</b>				<b>\$ 23,516,396</b>	
<b>Change in net position</b>					<b>\$ (2,015,591)</b>
<b>Net Position - Beginning</b>					<b>94,298,566</b>
<b>Net Position - Ending</b>					<b>\$ 92,282,975</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue Funds</u>		<u>Other Governmental Funds</u>	<u>Total</u>
		<u>Road and Bridge</u>	<u>Community Services</u>		
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 14,586,487	\$ 6,839,471	\$ 107,357	\$ 1,787,423	\$ 23,320,738
Petty cash and change funds	2,850	-	100	-	2,950
Taxes receivable - delinquent	185,523	32,406	72,541	23,133	313,603
Special assessments - delinquent	-	-	-	25,128	25,128
Accounts receivable - net	85,501	3,488	544,722	95,724	729,435
Accrued interest receivable	54,374	-	-	-	54,374
Loans receivable	-	-	-	1,310,651	1,310,651
Due from other funds	15,164	-	-	-	15,164
Due from other governments	426,457	2,673,365	847,966	-	3,947,788
Inventories	-	306,621	-	-	306,621
<b>Total Assets</b>	<b>\$ 15,356,356</b>	<b>\$ 9,855,351</b>	<b>\$ 1,572,686</b>	<b>\$ 3,242,059</b>	<b>\$ 30,026,452</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 259,160	\$ 53,709	\$ 511,693	\$ 74,976	\$ 899,538
Salaries payable	368,811	63,740	263,629	9,344	705,524
Contracts payable	-	196,321	-	-	196,321
Due to other funds	-	-	15,164	-	15,164
Due to other governments	216,194	2,315	58,051	6,198	282,758
Customer deposits	15,625	-	-	-	15,625
<b>Total Liabilities</b>	<b>\$ 859,790</b>	<b>\$ 316,085</b>	<b>\$ 848,537</b>	<b>\$ 90,518</b>	<b>\$ 2,114,930</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	\$ 370,154	\$ 2,428,038	\$ 610,175	\$ 36,022	\$ 3,444,389
Advance allotments	-	125,075	-	-	125,075
Prepaid taxes	246,523	19,881	107,357	23,856	397,617
<b>Total Deferred Inflows of Resources</b>	<b>\$ 616,677</b>	<b>\$ 2,572,994</b>	<b>\$ 717,532</b>	<b>\$ 59,878</b>	<b>\$ 3,967,081</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue Funds</u>		<u>Other Governmental Funds</u>	<u>Total</u>
		<u>Road and Bridge</u>	<u>Community Services</u>		
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>(Continued)</b>					
<b>Fund Balances</b>					
Nonspendable					
Inventories	\$ -	\$ 306,621	\$ -	\$ -	\$ 306,621
Missing heirs	77,309	-	-	-	77,309
Restricted for					
Debt service	-	-	-	671,788	671,788
Law library	61,030	-	-	-	61,030
Apple Blossom Drive	2,270	-	-	-	2,270
Recorder's unallocated equipment purchases	270,877	-	-	-	270,877
Recorder's equipment purchases	399,466	-	-	-	399,466
Enhanced 911	406,855	-	-	-	406,855
Criminal justice coordination council	2,377	-	-	-	2,377
Veterans	7,923	-	-	-	7,923
Restorative justice	30,349	-	-	-	30,349
Sheriff's contingency	5,000	-	-	-	5,000
DARE	5,895	-	-	-	5,895
Sheriff's forfeited property	12,815	-	-	-	12,815
Attorney's forfeited property	94,408	-	-	-	94,408
Explorer post	332	-	-	-	332
Police dog donations	3,573	-	-	-	3,573
Permits to carry	227,806	-	-	-	227,806
Local option sales tax projects	-	1,734,551	-	-	1,734,551
Child protection	-	-	154,618	-	154,618
Aquatic invasive species	91,243	-	-	-	91,243
Economic development	-	-	-	1,492,244	1,492,244
Veteran Van	21,175	-	-	-	21,175
Veteran Flag Pole Project	324	-	-	-	324
Assigned					
Master gardeners	9,592	-	-	-	9,592
Highways and streets	-	4,925,100	-	-	4,925,100
Capital improvements	-	-	-	579,628	579,628
Recycling	-	-	-	348,003	348,003
Employee wellness	12,549	-	-	-	12,549
Tobacco settlement	59,856	-	-	-	59,856
Unassigned	12,076,865	-	(148,001)	-	11,928,864
<b>Total Fund Balances</b>	<b>\$ 13,879,889</b>	<b>\$ 6,966,272</b>	<b>\$ 6,617</b>	<b>\$ 3,091,663</b>	<b>\$ 23,944,441</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 15,356,356</b>	<b>\$ 9,855,351</b>	<b>\$ 1,572,686</b>	<b>\$ 3,242,059</b>	<b>\$ 30,026,452</b>

The notes to the financial statements are an integral part of this statement.

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**WINONA COUNTY  
WINONA, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 23,944,441</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		85,774,399
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		6,886,180
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		3,444,389
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (1,645,000)	
Capital leases payable	(73,875)	
Net other postemployment benefits obligation	(1,477,509)	
Net pension liability	(16,364,947)	
Accrued interest payable	(27,061)	
Compensated absences	<u>(2,244,124)</u>	(21,832,516)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(5,933,918)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 92,282,975</u></u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue Funds		Other Governmental Funds	Total
		Road and Bridge	Community Services		
<b>Revenues</b>					
Taxes	\$ 10,087,680	\$ 4,151,249	\$ 4,672,891	\$ 1,003,783	\$ 19,915,603
Special assessments	-	-	-	552,863	552,863
Licenses and permits	154,429	-	28,550	809	183,788
Intergovernmental	3,925,001	5,775,832	8,195,455	231,292	18,127,580
Charges for services	1,681,349	60	831,586	704,097	3,217,092
Fines and forfeits	31,527	-	-	-	31,527
Gifts and contributions	41,194	-	60	-	41,254
Investment earnings	117,004	-	-	34,993	151,997
Miscellaneous	210,071	113,959	299,765	42	623,837
<b>Total Revenues</b>	<b>\$ 16,248,255</b>	<b>\$ 10,041,100</b>	<b>\$ 14,028,307</b>	<b>\$ 2,527,879</b>	<b>\$ 42,845,541</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 7,902,175	\$ 50,376	\$ -	\$ 54,756	\$ 8,007,307
Public safety	7,030,854	-	-	115,883	7,146,737
Highways and streets	-	7,569,370	-	101,153	7,670,523
Sanitation	-	-	-	1,314,012	1,314,012
Human services	-	-	14,421,136	-	14,421,136
Health	-	-	1,236,648	-	1,236,648
Culture and recreation	319,608	-	-	-	319,608
Conservation of natural resources	760,882	-	-	-	760,882
Economic development	244,808	-	-	2,553	247,361
<b>Intergovernmental</b>					
Highways and streets	-	264,654	-	-	264,654
<b>Debt service</b>					
Principal	22,359	-	-	1,192,376	1,214,735
Interest	4,721	-	-	78,451	83,172
Administrative (fiscal) charges	-	-	-	4,001	4,001
<b>Total Expenditures</b>	<b>\$ 16,285,407</b>	<b>\$ 7,884,400</b>	<b>\$ 15,657,784</b>	<b>\$ 2,863,185</b>	<b>\$ 42,690,776</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (37,152)</b>	<b>\$ 2,156,700</b>	<b>\$ (1,629,477)</b>	<b>\$ (335,306)</b>	<b>\$ 154,765</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 32,936	\$ -	\$ 1,185,813	\$ -	\$ 1,218,749
Transfers out	(1,185,813)	-	(30,712)	(2,224)	(1,218,749)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,152,877)</b>	<b>\$ -</b>	<b>\$ 1,155,101</b>	<b>\$ (2,224)</b>	<b>\$ -</b>
<b>Change in Fund Balance</b>	<b>\$ (1,190,029)</b>	<b>\$ 2,156,700</b>	<b>\$ (474,376)</b>	<b>\$ (337,530)</b>	<b>\$ 154,765</b>
<b>Fund Balance - January 1</b>	<b>15,069,918</b>	<b>4,739,772</b>	<b>480,993</b>	<b>3,429,193</b>	<b>23,719,876</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>69,800</b>	<b>-</b>	<b>-</b>	<b>69,800</b>
<b>Fund Balance - December 31</b>	<b>\$ 13,879,889</b>	<b>\$ 6,966,272</b>	<b>\$ 6,617</b>	<b>\$ 3,091,663</b>	<b>\$ 23,944,441</b>

The notes to the financial statements are an integral part of this statement.

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 154,765**

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are unavailable. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.

Unavailable revenue - December 31	\$ 3,444,389	
Unavailable revenue - January 1	<u>(2,543,468)</u>	900,921

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the gain or loss on the disposal of assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 59,910	
Current depreciation	<u>(2,471,116)</u>	(2,411,206)

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.

Principal repayments		
General obligation bonds	\$ 1,135,000	
Loans	57,376	
Capital lease	<u>22,359</u>	1,214,735

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in other postemployment benefits obligation	\$ (198,035)	
Change in accrued interest payable	13,574	
Change in compensated absences	(207,612)	
Change in net pension liability	7,041,247	
Change in deferred outflows of resources	(5,453,609)	
Change in deferred inflows of resources	(3,146,475)	
Change in inventories	69,800	
Amortization of premiums/discounts	<u>6,304</u>	<u>(1,874,806)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ (2,015,591)**

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**FIDUCIARY FUNDS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2017**

	<b>HC Garvin Private-Purpose Trust</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ -	\$ 2,361,414
Investments	47,715	-
	<b>\$ 47,715</b>	<b>\$ 2,361,414</b>
<b>Total Assets</b>	<b>\$ 47,715</b>	<b>\$ 2,361,414</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 637,788
Due to other governments	-	1,723,626
	<b>\$ -</b>	<b>\$ 2,361,414</b>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,361,414</b>
<b><u>Net Position</u></b>		
Net position, held in trust	<b>\$ 47,715</b>	

WINONA COUNTY  
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>HC Garvin Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest on investments	\$ 196
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>196</u>
<b>Change in net position</b>	<b>\$ -</b>
<b>Net Position - January 1</b>	<b><u>47,715</u></b>
<b>Net Position - December 31</b>	<b><u><u>\$ 47,715</u></u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Winona County was established February 22, 1854, when Fillmore County was divided, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Winona County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
The Winona County Economic Development Authority (EDA) provides for development within the County pursuant to Minn. Stat. § 469.1082.	The County appoints the EDA Board members, and management of the County has operational responsibility.	Separate financial statements are not prepared.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures, Jointly-Governed Organizations, and Related Organization

The County participates in joint ventures described in Note 5.C. The County also participates in jointly-governed organizations and a related organization described in Note 5.D. and Note 5.E., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are activities normally supported by taxes and intergovernmental revenues. The County has no business-type activities to report.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Winona County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Community Services Special Revenue Fund accounts for restricted revenues from the federal and state government, and other oversight agencies, as well as property tax revenues used for economic assistance and community social services programs.

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for all financial resources restricted for the payment of principal, interest, and related costs of long-term bonded debt.

The Capital Projects Fund accounts for financial resources for capital acquisition, construction, or improvement of capital facilities.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Private-Purpose Trust Fund accounts for resources legally held in trust for others.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Winona County considers all revenues to be available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

Winona County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were \$185,097.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. There were no advances in 2017.

**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

2. Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Accounts receivable is shown net of an allowance for uncollectible balances.

3. Inventories

All inventories are valued at cost using an average cost method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, as defined by the government, are assets with an initial, individual cost of more than \$50,000, except for infrastructure and federal awards purchases, which are capitalized when more than \$5,000, and land and construction in progress are capitalized regardless of cost, and are assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

4. Capital Assets (Continued)

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Category</u>	<u>Useful Life (Years)</u>
Building and building improvements	40 - 100
Machinery and equipment	5 - 15
Firearms and computer equipment	5
Maintenance equipment	5
Transportation equipment	5 - 40
Vehicles	5 - 10
Boats and trailers	20
Heavy construction equipment	15 - 30
Furniture and fixtures	20
Infrastructure	
Roads	50
Bridges	75

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual, vacation, compensatory time, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is calculated using the average percentage of employee turnovers in the current and prior years.

**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

6. Unearned Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. There was no unearned revenue in 2017.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, which qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, differences between projected and actual earnings on pension plan investments, pension changes in actuarial assumptions, differences between expected and actual economic experience, and pension plan changes in proportionate share. No deferred outflows of resources affect the governmental funds financial statements in the current year.

**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has four types of deferred inflows; unavailable revenue, prepaid property taxes, advanced allotments, and deferred pension inflows that qualify for reporting in this category. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period amounts become available. Prepaid taxes that were received at the end of the year for future years are deferred. The County reports advance allotments for state aid received by the County, not yet appropriated by the State of Minnesota. Advanced allotments and prepaid taxes are reported in the governmental funds balance sheet and on the government-wide statements of net position. Deferred pension inflows arise only under a full accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, differences between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share.

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. Pension liability is liquidated from member and employer contributions by each fund and income from the investment of fund assets as administered by PERA.

**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

10. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Classification of Fund Balances (Continued)

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator who has been delegated that authority by Board resolution.

Unassigned - unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

Winona County has adopted a Minimum Fund Balance Policy. Winona County shall maintain a minimum unrestricted fund balance for all funds, excluding fiduciary (trust and pension), special revenue, debt service, and permanent funds, of approximately five months of projected operating expenditures.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The Debt Service Fund expenditures of \$1,274,828 exceeded the final budget of \$1,217,163 by \$57,665, due to no budget for septic loans.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 23,320,738
Petty cash and change funds	2,950
Statement of fiduciary net position	
Private-purpose trust	
Investments	47,715
Agency	
Cash and pooled investments	<u>2,361,414</u>
Total Cash and Investments	<u>\$ 25,732,817</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 14,681,842
Petty cash and change funds	\$ 2,950
Negotiable securities	\$ 6,813,498
Mutual funds	4,234,527
Total investments	\$ 11,048,025
Total Deposits, Petty Cash and Change Funds, and Investments	\$ 25,732,817

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to follow state law, which requires that all deposits be insured or collateralized. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy is to invest in both short-term and long-term investments to limit exposure to interest rate risk. The investment maturities are limited as follows:

Maturity	Maximum Investment
Less than three years	100%

At December 31, 2017, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 to 3 Years
Investments subject to interest rate risk			
Negotiable securities	\$ 6,813,498	\$ 3,816,785	\$ 2,996,713
Investments not subject to interest rate risk			
Mutual funds	4,234,527		
Total Investments	\$ 11,048,025		

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2017, is as follows:

<u>Standard &amp; Poor's Rating</u>	
AAAm	\$ 1,789,700
Not rated	2,444,827
Not applicable	<u>6,813,498</u>
Total	<u>\$ 11,048,025</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount invested in securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name to no more than ten percent at any time during the year. As of December 31, 2017, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit. There are no investments in a single issuer that have more than a five percent concentration of total investments.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2017, the County had the following recurring fair value measurements.

	Fair Value Measurements Using			
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Negotiable certificates of deposit	\$ 6,813,498	\$ -	\$ 6,813,498	\$ -
Investments measured at the net asset value (NAV)				
Money market mutual fund	\$ 1,789,700			
MAGIC Portfolio	2,444,827			
Total Investments Measured at the NAV	\$ 4,234,527			

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted as a NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized costs. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet the redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

The County invests in money market funds for the benefit of liquid investments that can be readily re-invested or made available for use. Money market funds held by the County seek a constant net asset value (NAV) of \$1.00 per share. The money market fund reserves the right to require one or more days' prior notice before permitting withdrawals.

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, for Winona County's governmental activities, including the applicable allowances for uncollectibles (Community Services Special Revenue Fund) accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectibles	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 313,603	\$ -	\$ 313,603	\$ -
Special assessments	25,128	-	25,128	-
Accounts	9,040,842	(8,311,407)	729,435	-
Interest	54,374	-	54,374	-
Loans receivable	1,310,651	-	1,310,651	1,200,239
Due from other governments	3,947,788	-	3,947,788	-
Total Governmental Activities	<u>\$ 14,692,386</u>	<u>\$ (8,311,407)</u>	<u>\$ 6,380,979</u>	<u>\$ 1,200,239</u>

The principal and interest payments received from the 2007 disaster loans must be used to establish and maintain a revolving loan fund that must be used to further economic development in the County. The County has loaned out \$1,310,651 from the revolving loan fund.

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 6,138,087	\$ 2,332	\$ -	\$ 6,140,419
Construction in progress	271,498	57,578	-	329,076
Total capital assets not depreciated	<u>\$ 6,409,585</u>	<u>\$ 59,910</u>	<u>\$ -</u>	<u>\$ 6,469,495</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 26,276,304	\$ -	\$ -	\$ 26,276,304
Improvements other than buildings	485,641	-	-	485,641
Machinery, furniture, and equipment	11,462,071	-	669,749	10,792,322
Infrastructure	75,824,278	-	-	75,824,278
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets depreciated	\$ 114,048,294	\$ -	\$ 669,749	\$ 113,378,545
Less: accumulated depreciation for				
Buildings	\$ 4,477,554	\$ 278,660	\$ -	\$ 4,756,214
Improvements other than buildings	258,458	13,175	-	271,633
Machinery, furniture, and equipment	6,972,041	761,268	669,749	7,063,560
Infrastructure	20,564,221	1,418,013	-	21,982,234
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	\$ 32,272,274	\$ 2,471,116	\$ 669,749	\$ 34,073,641
Total capital assets depreciated, net	\$ 81,776,020	\$ (2,471,116)	\$ -	\$ 79,304,904
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activities Capital Assets, Net	\$ 88,185,605	\$ (2,411,206)	\$ -	\$ 85,774,399

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 339,718
Public safety	269,016
Highways and streets, including depreciation of infrastructure assets	1,847,012
Health	1,372
Sanitation	5,120
Conservation of natural resources	8,878
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 2,471,116

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Services Fund	\$ 15,164

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Fund From	Fund To	Amount	
Community Services Fund	General Fund	\$ 30,712	Transfer retiree insurance
Debt Service Fund	General Fund	2,224	Transfer funds
General Fund	Community Services Fund	1,185,813	Transfer funds
Total Transfers		\$ 1,218,749	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2017. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities Roads and bridges	\$ 2,855,911	\$ 356,600

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Compensated Absences

Employees have the option to take a cash payout or to opt for the other postemployment benefits option. Employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 920 hours of unused sick leave may opt for a cash option. This option does not apply to the Professionals Union, Department Heads, and nonunion employees.

The value of the compensated absences cash payout option for eligible employees at the end of 2017 is \$832,409. For governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, Community Services Special Revenue Fund, and the Recycling and Solid Waste Special Revenue Fund.

3. Long-Term Debt

Bonds

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2017</u>
General obligation bonds					
2010 G.O. Capital Improvement Plan Bonds	2021	\$225,000 - \$265,000	2.00 - 4.00	\$ 2,400,000	\$ 1,020,000
2009A G.O. Capital Improvement Plan Refunding Bonds	2024	\$25,000 - \$445,000	2.00 - 4.00	3,735,000	625,000
Total General Obligation Bonds				\$ 6,135,000	\$ 1,645,000

Debt payments for the above debt are being made from the Debt Service Fund.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2017.

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
L-3 video equipment	2020	Yearly	\$ 27,080	\$ 123,314	\$ 73,875

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2018	\$ 27,080
2019	27,080
2020	27,079
Less: amount representing interest	<u>(7,364)</u>
Present Value of Minimum Lease Payments	<u>\$ 73,875</u>

The lease is paid from the General Fund.

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Revenue Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 245,000	\$ 32,738	\$ 445,000	\$ 14,281
2019	250,000	24,075	30,000	6,525
2020	260,000	15,150	25,000	5,500
2021	265,000	5,300	25,000	4,500
2022	-	-	30,000	3,400
2023 - 2027	-	-	70,000	2,800
Total	<u>\$ 1,020,000</u>	<u>\$ 77,263</u>	<u>\$ 625,000</u>	<u>\$ 37,006</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 2,780,000	\$ -	\$ 1,135,000	\$ 1,645,000	\$ 690,000
Premium on bonds	7,286	-	7,286	-	-
Discounts on bonds	(982)	-	(982)	-	-
Total bonds payable	\$ 2,786,304	\$ -	\$ 1,141,304	\$ 1,645,000	\$ 690,000
Loans payable	57,376	-	57,376	-	-
Capital lease payable	96,234	-	22,359	73,875	23,456
Compensated absences	2,036,512	1,982,718	1,775,106	2,244,124	277,557
Governmental Activities Long-Term Liabilities	<u>\$ 4,976,426</u>	<u>\$ 1,982,718</u>	<u>\$ 2,996,145</u>	<u>\$ 3,962,999</u>	<u>\$ 991,013</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Conduit Debt

The Southeast Minnesota Multi-County Housing and Redevelopment Authority (HRA) issued \$2,095,000 Housing Development Revenue Refunding Bonds (Winona County, Minnesota Unlimited Tax General Obligation), Series 2016A, on October 12, 2016. The purpose of the issuance was to refund the HRA's \$1,960,000 Housing Development Revenue Refunding Bonds (Winona County, Minnesota Unlimited Tax General Obligation), Series 2007A.

D. Deferred Outflows/Inflows of Resources

1. Deferred Outflows

Governmental funds did not report deferred outflows of resources for the year ended December 31, 2017.

2. Deferred Inflows

As of December 31, 2017, there were various components of unavailable revenue as follows:

Taxes	\$ 201,085
Special assessments	20,149
Intergovernmental	2,637,973
Miscellaneous	<u>585,182</u>
Total Unavailable Revenue	<u>\$ 3,444,389</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Winona County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, if the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Plan members	9.75
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contributions rates did not change from the previous year.

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$ 981,784
Public Employees Police and Fire Plan	218,147
Public Employees Correctional Plan	134,455

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$12,442,287 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1949 percent. It was 0.1918 percent measured as of June 30, 2016. The County recognized pension expense of \$1,683,299 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$4,518 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

The County's proportionate share of the net pension liability	\$ 12,442,287
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>4,518</u>
Total	<u>\$ 12,446,805</u>

The County reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 410,060	\$ 791,805
Changes in actuarial assumptions	2,032,833	1,247,341
Difference between projected and actual investment earnings	57,010	-
Changes in proportion	188,778	355,490
Contributions paid to PERA subsequent to the measurement date	458,223	-
Total	\$ 3,146,904	\$ 2,394,636

The \$458,223 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 299,570
2019	704,413
2020	(181,787)
2021	(528,151)

**WINONA COUNTY  
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$1,728,152 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.128 percent. It was 0.126 percent measured as of June 30, 2016. The County recognized pension expense of \$388,504 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$11,520 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 39,778	\$ 470,261
Changes in actuarial assumptions	2,226,294	2,453,548
Difference between projected and actual investment earnings	28,654	-
Changes in proportion	66,886	181,652
Contributions paid to PERA subsequent to the measurement date	105,926	-
Total	\$ 2,467,538	\$ 3,105,461

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$105,926 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ (16,635)
2019	(16,635)
2020	(85,924)
2021	(155,278)
2022	(469,377)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$2,194,508 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.77 percent. It was 0.76 percent measured as of June 30, 2016. The County recognized pension expense of \$837,457 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The County reported its proportionate share of the Public Employees Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,452	\$ 35,300
Changes in actuarial assumptions	1,179,262	381,999
Difference between projected and actual investment earnings	-	16,522
Changes in proportion	27,776	-
Contributions paid to PERA subsequent to the measurement date	63,249	-
Total	\$ 1,271,739	\$ 433,821

The \$63,249 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 473,788
2019	488,406
2020	(126,437)
2021	(61,088)

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$2,909,260.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**WINONA COUNTY  
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 19,298,912	4.60%	\$ 3,254,615	4.31%	\$ 3,616,274
Current	7.50	12,442,287	5.60	1,728,152	5.31	2,194,508
1% Increase	8.50	6,828,895	6.60	467,973	6.31	1,084,799

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

Four Board members and one elected official of Winona County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Winona County during the year ended December 31, 2017, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 10,366	\$ 10,366
Percentage of covered payroll	5%	5%

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a single-employer, self-insured plan, financed and administered by Winona County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota, under contract with the Southeast Service Cooperative, is the claims administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2016, 21 retirees were receiving health benefits from the County's health plan. As of year-end, the County has 12 participants. Some employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 100 days of unused sick leave may convert it to paid-up health insurance for the employee only, according to the following schedule:

- Each ten days of unused sick leave equals one month's paid-up insurance for employees only.

The County is offering a Phased Retirement Incentive Program (PRIP). The Winona County PRIP is designed to provide employees who wish to retire/resign an option to do so by offering some extra financial incentive. The program is intended to aid the County in responding, in part, to the current budget challenges by offering a phased retirement program contingent upon retirement/resignation with the intent of not filling either the vacated position or another position within the organization as well as recognizing other significant savings. The ultimate goal of the program is to reduce expenditures by working with employees to find system efficiencies within the organization and, therefore, reducing the local tax burden to the citizens.

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 2016-88. The County had no participants in 2017.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 369,739
Interest on net OPEB obligation	44,782
Adjustment to ARC	<u>(68,380)</u>
Annual OPEB cost	\$ 346,141
Contributions during the year	<u>(148,106)</u>
Increase (Decrease) in net OPEB obligation	\$ 198,035
Net OPEB - Beginning of Year	<u>1,279,474</u>
Net OPEB - End of Year	<u><u>\$ 1,477,509</u></u>

**WINONA COUNTY  
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
December 31, 2015	\$ 420,996	\$ 342,170	81.28	\$ 1,160,338
December 31, 2016	424,433	305,297	71.93	1,279,474
December 31, 2017	346,141	148,106	42.79	1,477,509

Funded Status and Funding Progress

The County finances the plan on a pay-as-you-go basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded Actuarial Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2017	\$ -	\$ 2,984,433	\$ 2,984,433	0.00%	\$ 14,962,835	19.95%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

In the January 1, 2017, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 3.5 percent discount rate (net of expenses), including an inflation assumption of 2.5 percent and an annual health care cost rate of 6.5 percent initially, and reduced incrementally to an ultimate rate of 5.0 percent after 6 years. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed period (not to exceed 30 years) beginning in 2008.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Premiums are paid by the fund receiving the benefits.

The Southeast Service Cooperative provides financial risk management services that embody the concept of pooling risks for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage. Other employee benefits for life insurance, disability insurance, and flexible spending programs are administered by the County's Personnel Department through separate vendors. The County also administers a dental program for employees. The County's responsibility is limited to collecting the premiums and disbursing enrolled employee premiums.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Joint Ventures

Southeast Minnesota Multi-County HRA

Wabasha and Goodhue Counties formed the Southeast Minnesota Multi-County HRA for the purposes of providing housing and redevelopment services to southeastern Minnesota counties pursuant to Minn. Stat. § 471.59. Winona and Dodge Counties later joined the HRA. The governing body consists of an eight-member Board of Commissioners. Two Commissioners were appointed by each of the County Boards. The HRA adopts its own budget.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southeast Minnesota Multi-County HRA (Continued)

In 1994, the Dodge County Commissioners appointed a member to the HRA Board for a five-year term expiring in 1999. The County has not appointed a member for the vacancy starting in 1999. Dodge County has requested to be released from this HRA. Winona County made \$129,537 in contributions to the operations of the HRA in 2017 in the form of a tax levy.

Financial statements for the HRA may be obtained at its office at 134 East 2nd Street, Wabasha, Minnesota 55981.

Winona County Family Service Collaborative

Winona County has created the Winona County Family Service Collaborative pursuant to an interagency agreement and Minn. Stat. § 124D.23. The Collaborative is represented by the following: Winona County; the City of Winona; Independent School Districts 861, 857, and 858; Department of Economic Security Workforce Center; SEMCAC; and Hiawatha Valley Mental Health Center. The Collaborative Board consists of 21 members, of which Winona County appoints two.

The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. The Collaborative had \$85,019 of expenditures in 2017.

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Sarah Slaby, Winona Area Public School Business Manager, or Pat Moga, Winona County Finance Director.

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board was established April 16, 2008, as provided by Minn. Stat. §§ 403.39 and 471.59. This joint powers between Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties and the City of Rochester serves to provide regional administration of enhancement to the allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southeast Minnesota Regional Emergency Communications Board (Continued)

Control of the Southeast Minnesota Regional Emergency Communications Board is vested in a Joint Powers Board that is composed of one County Commissioner from each of the participating counties and one City Council member from the participating city.

The financial activities of the Board are accounted for by Olmsted County as fiscal agent. During the year, Winona County paid \$3,000 to the Board.

Southeast Minnesota Violent Crime Enforcement Team

The Southeast Minnesota Violent Crime Enforcement Team was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, and Winona Counties along with the Cities of Austin, Kasson, Lake City, Red Wing, and Winona. The Enforcement Team's mission is to work cooperatively in the enforcement of controlled substance laws and violent crime-related offenses.

The Enforcement Team is governed by a governing board with members consisting of the Chief Law Enforcement Officer from each member, or his or her designee, and an attorney appointed by the governing board.

During the year, Winona County paid \$7,000 to the Enforcement Team.

Separate financial information can be obtained from Southeast Minnesota Violent Crime Enforcement Team, 101 - 4th Street Southeast, Rochester, Minnesota 55904.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items (Continued)

D. Jointly-Governed Organizations

Winona County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below.

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board was formed by Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of this Joint Powers Board is to receive and expend state and nonprofit grants and other related funds for the purpose of comprehensive water management planning. The governing body consists of 18 members. Two Commissioners were appointed from each of the participating County Boards, except for Mower and Wabasha Counties, who each appoint one member. Olmsted County acts as the fiscal agent. During the year, Winona County made payments of \$5,000 to the Board.

Complete financial statements for the Water Resources Board can be obtained at P. O. Box 5838, Winona, Minnesota 55987.

Southeast Minnesota Emergency Medical Services

The Southeast Minnesota Emergency Medical Services (SEEMS) Joint Powers Board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the 11-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member for the Joint Powers Board. Winona County did not contribute to SEEMS in 2017.

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services to counties and cities in southeastern Minnesota. During the year, Winona County paid \$233,184 to the Southeastern Libraries Cooperative.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Minnesota Community Action Council

The Southeastern Minnesota Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. During the year, Winona County made payments of \$89,617 to SEMCAC.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Winona County expended \$125,503 to MCCC.

Whitewater Joint Powers Board

The Whitewater Joint Powers Board is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a \$7,906 payment to the Joint Powers Board.

Southeast Service Cooperative

The Southeast Services Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Winona County made payments of \$300 to the Cooperative.

Sentence to Serve Program

Winona County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Sentence to Serve Program (Continued)

who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Winona County has no operational or financial control over the STS program, Winona County budgets 75 percent of the program cost for the Sentence to Serve Program. During the year, Winona County made payments of \$63,881.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Winona County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Minnesota Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Winona County made no payments to the joint powers.

Southeast Minnesota Immunization Connection

The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Winona County did not contribute to the SEMIC during 2017.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items (Continued)

E. Related Organization

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2017, the County settled with Watershed Number One for property taxes collected in the amount of \$15,080.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 10,127,794	\$ 10,127,794	\$ 10,087,680	\$ (40,114)
Licenses and permits	124,702	124,702	154,429	29,727
Intergovernmental	3,443,911	3,543,911	3,925,001	381,090
Charges for services	2,401,433	2,401,433	1,681,349	(720,084)
Fines and forfeits	20,400	20,400	31,527	11,127
Gifts and contributions	20,825	20,825	41,194	20,369
Investment earnings	115,000	115,000	117,004	2,004
Miscellaneous	409,710	409,710	210,071	(199,639)
<b>Total Revenues</b>	<b>\$ 16,663,775</b>	<b>\$ 16,763,775</b>	<b>\$ 16,248,255</b>	<b>\$ (515,520)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 190,426	\$ 190,426	\$ 180,590	\$ 9,836
Courts	151,439	151,439	161,297	(9,858)
Law library	45,000	45,000	23,899	21,101
Drug court	-	-	62,584	(62,584)
County administration	365,709	362,372	301,366	61,006
County auditor/treasurer	234,767	234,767	215,154	19,613
Non-department	383,078	383,578	344,026	39,552
License bureau	275,699	275,699	295,543	(19,844)
County treasurer	587,655	587,655	595,963	(8,308)
Insurances	391,643	391,643	330,183	61,460
Elections	19,200	19,200	19,183	17
Accounting and auditing	611,350	610,850	589,053	21,797
Data processing	1,604,466	1,604,466	959,445	645,021
Personnel	622,961	626,298	597,251	29,047
Attorney	1,554,125	1,554,125	1,317,225	236,900
Recorder	869,624	927,957	516,217	411,740
Planning and zoning	376,970	376,970	244,363	132,607
Maintenance	1,148,655	1,148,655	966,269	182,386
Veterans service officer	151,530	151,530	182,564	(31,034)
<b>Total general government</b>	<b>\$ 9,584,297</b>	<b>\$ 9,642,630</b>	<b>\$ 7,902,175</b>	<b>\$ 1,740,455</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,374,303	\$ 2,474,303	\$ 2,533,746	\$ (59,443)
Boat and water safety	34,713	34,713	31,132	3,581
Emergency services	169,112	169,112	83,649	85,463
E-911 system	137,737	137,737	172,846	(35,109)
County jail	2,639,491	2,639,491	2,728,409	(88,918)
Law enforcement center	1,182,280	1,182,280	958,999	223,281
Probation and parole	883,272	883,272	522,073	361,199
<b>Total public safety</b>	<b>\$ 7,420,908</b>	<b>\$ 7,520,908</b>	<b>\$ 7,030,854</b>	<b>\$ 490,054</b>
<b>Culture and recreation</b>				
Historical society	\$ 55,000	\$ 55,000	\$ 55,000	\$ -
Parks	18,852	18,852	31,424	(12,572)
Regional library	233,184	233,184	233,184	-
<b>Total culture and recreation</b>	<b>\$ 307,036</b>	<b>\$ 307,036</b>	<b>\$ 319,608</b>	<b>\$ (12,572)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 163,821	\$ 163,821	\$ 160,019	\$ 3,802
Soil and water conservation	123,000	123,000	123,000	-
Feedlot	95,095	95,095	100,284	(5,189)
Agricultural inspection	4,327	4,327	5,265	(938)
Wetland challenge	39,447	39,447	46,043	(6,596)
Other	209,153	209,153	295,721	(86,568)
Agricultural society/County fair	30,550	30,550	30,550	-
<b>Total conservation of natural resources</b>	<b>\$ 665,393</b>	<b>\$ 665,393</b>	<b>\$ 760,882</b>	<b>\$ (95,489)</b>
<b>Economic development</b>				
Other	\$ 64,150	\$ 64,150	\$ 244,808	\$ (180,658)
<b>Debt service</b>				
Principal	\$ 33,200	\$ 33,200	\$ 22,359	\$ 10,841
Interest	6,800	6,800	4,721	2,079
<b>Total debt service</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 27,080</b>	<b>\$ 12,920</b>
<b>Total Expenditures</b>	<b>\$ 18,081,784</b>	<b>\$ 18,240,117</b>	<b>\$ 16,285,407</b>	<b>\$ 1,954,710</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ (1,418,009)</u>	<u>\$ (1,476,342)</u>	<u>\$ (37,152)</u>	<u>\$ 1,439,190</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 518,117	\$ 518,117	\$ 32,936	\$ (485,181)
Transfers out	(58,333)	-	(1,185,813)	(1,185,813)
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 464,784</u>	<u>\$ 523,117</u>	<u>\$ (1,152,877)</u>	<u>\$ (1,675,994)</u>
<b>Change in Fund Balance</b>	<u>\$ (953,225)</u>	<u>\$ (953,225)</u>	<u>\$ (1,190,029)</u>	<u>\$ (236,804)</u>
<b>Fund Balance - January 1</b>	<u>15,069,918</u>	<u>15,069,918</u>	<u>15,069,918</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 14,116,693</u>	<u>\$ 14,116,693</u>	<u>\$ 13,879,889</u>	<u>\$ (236,804)</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,161,432	\$ 2,161,432	\$ 4,151,249	\$ 1,989,817
Intergovernmental	8,373,985	8,373,985	5,775,832	(2,598,153)
Charges for services	-	-	60	60
Miscellaneous	88,500	88,500	113,959	25,459
<b>Total Revenues</b>	<b>\$ 10,623,917</b>	<b>\$ 10,623,917</b>	<b>\$ 10,041,100</b>	<b>\$ (582,817)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Surveyor	\$ 50,200	\$ 50,200	\$ 50,376	\$ (176)
<b>Highways and streets</b>				
Administration	\$ 358,149	\$ 358,149	\$ 357,550	\$ 599
Maintenance	2,030,363	2,030,363	1,967,186	63,177
Construction	6,964,929	6,964,929	4,329,300	2,635,629
Equipment maintenance and shop	657,343	657,343	622,986	34,357
Materials and services for resale	297,450	297,450	292,348	5,102
<b>Total highways and streets</b>	<b>\$ 10,308,234</b>	<b>\$ 10,308,234</b>	<b>\$ 7,569,370</b>	<b>\$ 2,738,864</b>
<b>Intergovernmental</b>	<b>\$ 265,483</b>	<b>\$ 265,483</b>	<b>\$ 264,654</b>	<b>\$ 829</b>
<b>Total Expenditures</b>	<b>\$ 10,623,917</b>	<b>\$ 10,623,917</b>	<b>\$ 7,884,400</b>	<b>\$ 2,739,517</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 2,156,700	\$ 2,156,700
<b>Fund Balance - January 1</b>	4,739,772	4,739,772	4,739,772	-
<b>Increase (decrease) in reserved for inventories</b>	-	-	69,800	69,800
<b>Fund Balance - December 31</b>	<b>\$ 4,739,772</b>	<b>\$ 4,739,772</b>	<b>\$ 6,966,272</b>	<b>\$ 2,226,500</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,745,532	\$ 4,745,532	\$ 4,672,891	\$ (72,641)
Licenses and permits	31,800	31,800	28,550	(3,250)
Intergovernmental	8,291,027	8,191,027	8,195,455	4,428
Charges for services	953,000	953,000	831,586	(121,414)
Gifts and contributions	-	-	60	60
Miscellaneous	320,625	320,625	299,765	(20,860)
<b>Total Revenues</b>	<b>\$ 14,341,984</b>	<b>\$ 14,241,984</b>	<b>\$ 14,028,307</b>	<b>\$ (213,677)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 4,040,347	\$ 4,040,347	\$ 4,183,404	\$ (143,057)
Social services	8,762,706	8,762,706	10,228,244	(1,465,538)
Care grant	100,000	-	9,488	(9,488)
<b>Total human services</b>	<b>\$ 12,903,053</b>	<b>\$ 12,803,053</b>	<b>\$ 14,421,136</b>	<b>\$ (1,618,083)</b>
<b>Health</b>				
Nurse services	\$ 293,863	\$ 293,863	\$ 406,796	\$ (112,933)
Maternal and child health	494,564	494,564	266,902	227,662
County health officer	288,054	288,054	437,891	(149,837)
Health center	362,450	362,450	125,059	237,391
<b>Total health</b>	<b>\$ 1,438,931</b>	<b>\$ 1,438,931</b>	<b>\$ 1,236,648</b>	<b>\$ 202,283</b>
<b>Total Expenditures</b>	<b>\$ 14,341,984</b>	<b>\$ 14,241,984</b>	<b>\$ 15,657,784</b>	<b>\$ (1,415,800)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,629,477)</b>	<b>\$ (1,629,477)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 1,185,813	\$ 1,185,813
Transfers out	-	-	(30,712)	(30,712)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,155,101</b>	<b>\$ 1,155,101</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (474,376)</b>	<b>\$ (474,376)</b>
<b>Fund Balance - January 1</b>	<b>480,993</b>	<b>480,993</b>	<b>480,993</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 480,993</b>	<b>\$ 480,993</b>	<b>\$ 6,617</b>	<b>\$ (474,376)</b>

The notes to the required supplementary information are an integral part of this schedule.

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-4*

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
January 1, 2013	\$ -	\$ 4,056,205	\$ 4,056,205	0.00%	\$ 13,419,180	30.23%
January 1, 2015	-	3,766,447	3,766,447	0.00	13,685,489	27.52
January 1, 2017	-	2,984,433	2,984,433	0.00	14,962,835	19.95

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Winona County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	0.1949%	\$ 12,442,287	\$ 4,518	\$ 12,446,805	\$ 13,396,073	92.88%	75.90%
2016	0.1918	15,573,209	60,645	15,633,854	11,896,295	130.91	68.91
2015	0.1965	10,183,649	N/A	10,183,649	11,761,141	86.59	78.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The measurement date for each year is June 30.  
N/A - Not Applicable

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 981,984	\$ 981,984	\$ -	\$ 13,090,442	7.50%
2016	940,629	940,629	-	12,541,727	7.50
2015	860,121	860,121	-	11,468,280	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-7**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	0.128%	\$ 1,728,152	\$ 1,360,161	127.05%	85.43%
2016	0.126	5,056,599	1,218,131	415.11	63.88
2015	0.140	1,590,728	1,297,172	122.63	86.60

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-8**

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 218,147	\$ 218,147	\$ -	\$ 1,346,587	16.20%
2016	202,823	202,823	-	1,251,995	16.20
2015	199,539	199,539	-	1,231,722	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-9**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	0.77%	\$ 2,194,508	\$ 1,602,695	136.93%	67.89%
2016	0.76	2,776,386	1,438,813	192.96	58.16
2015	0.76	117,496	1,363,519	8.62	96.90

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-10**

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 134,455	\$ 134,455	\$ -	\$ 1,536,632	8.75%
2016	129,902	129,902	-	1,484,596	8.75
2015	123,879	123,879	-	1,415,760	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Finance Director so that a budget can be prepared. The Finance Director, County Administrator, and Assistant County Administrator take the requests to the Board by the end of August. The proposed budget is presented to the County Board for review and preliminary approval. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County Administrator may make changes of appropriations within a department. The County Administrator has been given authority by the Board to make line-item adjustments that have a zero effect on the budget in total. Adjustments to the budget that increase the budget require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of Expenditures Over Budget

The Community Service Fund expenditures of \$15,657,784 exceeded the final budget of \$14,241,984 by \$1,415,800 due to increased out-of-home placements and hiring additional staff in 2017.

3. Other Postemployment Benefits

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year ended June 30:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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**SUPPLEMENTARY INFORMATION**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUND**

The EDA Loan Special Revenue Fund accounts for restricted revenues from federal agencies to provide assistance, in the form of loans, with flood-related expenditures after the 2007 flood.

The Recycling and Solid Waste Special Revenue fund accounts for restricted and assigned revenues from special assessments, state government, and hauler fees. These revenues are used for recycling and solid waste expenses.

**DEBT SERVICE FUND**

The Debt Service Fund accounts for all financial resources restricted for the payment of principal, interest, and related costs of long-term bonded debt.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund accounts for financial resources for capital acquisition, construction, or improvement of capital facilities.

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<b>EDA Loan Special Revenue</b>	<b>Recycling and Solid Waste Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 181,593	\$ 337,818	\$ 678,625	\$ 589,387	\$ 1,787,423
Taxes receivable - delinquent	-	-	16,697	6,436	23,133
Notes receivable	-	25,128	-	-	25,128
Accrued interest receivable	-	95,724	-	-	95,724
Loans receivable	1,310,651	-	-	-	1,310,651
	<b>\$ 1,492,244</b>	<b>\$ 458,670</b>	<b>\$ 695,322</b>	<b>\$ 595,823</b>	<b>\$ 3,242,059</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 74,976	\$ -	\$ -	\$ 74,976
Salaries payable	-	9,344	-	-	9,344
Due to other governments	-	6,198	-	-	6,198
	<b>\$ -</b>	<b>\$ 90,518</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,518</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	\$ -	\$ 20,149	\$ 11,606	\$ 4,267	\$ 36,022
Prepaid taxes	-	-	11,928	11,928	23,856
	<b>\$ -</b>	<b>\$ 20,149</b>	<b>\$ 23,534</b>	<b>\$ 16,195</b>	<b>\$ 59,878</b>
<b>Fund Balances</b>					
Restricted for					
Debt service	\$ -	\$ -	\$ 671,788	\$ -	\$ 671,788
Economic development	1,492,244	-	-	-	1,492,244
Assigned					
Recycling and solid waste	-	348,003	-	-	348,003
Capital projects	-	-	-	579,628	579,628
	<b>\$ 1,492,244</b>	<b>\$ 348,003</b>	<b>\$ 671,788</b>	<b>\$ 579,628</b>	<b>\$ 3,091,663</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,492,244</b>	<b>\$ 458,670</b>	<b>\$ 695,322</b>	<b>\$ 595,823</b>	<b>\$ 3,242,059</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>EDA Loan Special Revenue</b>	<b>Recycling and Solid Waste Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds (Exhibit 5)</b>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 676,454	\$ 327,329	\$ 1,003,783
Special assessments	-	514,845	38,018	-	552,863
Licenses and permits	-	809	-	-	809
Intergovernmental	-	208,248	15,497	7,547	231,292
Charges for services	-	704,097	-	-	704,097
Investment earnings	34,993	-	-	-	34,993
Miscellaneous	-	42	-	-	42
	<b>\$ 34,993</b>	<b>\$ 1,428,041</b>	<b>\$ 729,969</b>	<b>\$ 334,876</b>	<b>\$ 2,527,879</b>
<b>Total Revenues</b>					
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ -	\$ -	\$ 54,756	\$ 54,756
Public safety	-	-	-	115,883	115,883
Highways and streets	-	-	-	101,153	101,153
Sanitation	-	1,314,012	-	-	1,314,012
Economic development	2,553	-	-	-	2,553
<b>Debt service</b>					
Principal	-	-	1,192,376	-	1,192,376
Interest	-	-	78,451	-	78,451
Administrative (fiscal) charges	-	-	4,001	-	4,001
	<b>\$ 2,553</b>	<b>\$ 1,314,012</b>	<b>\$ 1,274,828</b>	<b>\$ 271,792</b>	<b>\$ 2,863,185</b>
<b>Total Expenditures</b>					
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>\$ 32,440</b>	<b>\$ 114,029</b>	<b>\$ (544,859)</b>	<b>\$ 63,084</b>	<b>\$ (335,306)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	(2,224)	-	(2,224)
	<b>\$ 32,440</b>	<b>\$ 114,029</b>	<b>\$ (547,083)</b>	<b>\$ 63,084</b>	<b>\$ (337,530)</b>
<b>Net Change in Fund Balance</b>					
<b>Fund Balance - January 1</b>	<b>1,459,804</b>	<b>233,974</b>	<b>1,218,871</b>	<b>516,544</b>	<b>3,429,193</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,492,244</b>	<b>\$ 348,003</b>	<b>\$ 671,788</b>	<b>\$ 579,628</b>	<b>\$ 3,091,663</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-3*

**BUDGETARY COMPARISON SCHEDULE  
EDA LOAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 30,266	\$ 30,266	\$ 34,993	\$ 4,727
Miscellaneous	95,595	95,595	-	(95,595)
<b>Total Revenues</b>	<b>\$ 125,861</b>	<b>\$ 125,861</b>	<b>\$ 34,993</b>	<b>\$ (90,868)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Other economic development	125,861	125,861	2,553	123,308
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,440</b>	<b>\$ 32,440</b>
<b>Fund Balance - January 1</b>	<b>1,459,804</b>	<b>1,459,804</b>	<b>1,459,804</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,459,804</b>	<b>\$ 1,459,804</b>	<b>\$ 1,492,244</b>	<b>\$ 32,440</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-4*

**BUDGETARY COMPARISON SCHEDULE  
RECYCLING AND SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 476,000	\$ 476,000	\$ 514,845	\$ 38,845
Licenses and permits	808	808	809	1
Intergovernmental	197,189	197,189	208,248	11,059
Charges for services	660,167	660,167	704,097	43,930
Miscellaneous	-	-	42	42
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b>Total Revenues</b>	<b><u>\$ 1,334,164</u></b>	<b><u>\$ 1,334,164</u></b>	<b><u>\$ 1,428,041</u></b>	<b><u>\$ 93,877</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Sustainability	\$ 46,999	\$ 46,999	\$ 43,177	\$ 3,822
Landfill	15,953	15,953	11,435	4,518
Recycling	1,265,214	1,265,214	1,259,400	5,814
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b>Total Expenditures</b>	<b><u>\$ 1,328,166</u></b>	<b><u>\$ 1,328,166</u></b>	<b><u>\$ 1,314,012</u></b>	<b><u>\$ 14,154</u></b>
<b>Change in Fund Balance</b>	<b><u>\$ 5,998</u></b>	<b><u>\$ 5,998</u></b>	<b><u>\$ 114,029</u></b>	<b><u>\$ 108,031</u></b>
<b>Fund Balance - January 1</b>	<b><u>233,974</u></b>	<b><u>233,974</u></b>	<b><u>233,974</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 239,972</u></u></b>	<b><u><u>\$ 239,972</u></u></b>	<b><u><u>\$ 348,003</u></u></b>	<b><u><u>\$ 108,031</u></u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-5*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 679,072	\$ 679,072	\$ 676,454	\$ (2,618)
Special assessments	-	-	38,018	38,018
Intergovernmental	5,239	5,239	15,497	10,258
<b>Total Revenues</b>	<b>\$ 684,311</b>	<b>\$ 684,311</b>	<b>\$ 729,969</b>	<b>\$ 45,658</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,135,000	\$ 1,135,000	\$ 1,192,376	\$ (57,376)
Interest	78,163	78,163	78,451	(288)
Administrative (fiscal) charges	4,000	4,000	4,001	(1)
<b>Total Expenditures</b>	<b>\$ 1,217,163</b>	<b>\$ 1,217,163</b>	<b>\$ 1,274,828</b>	<b>\$ (57,665)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (532,852)</b>	<b>\$ (532,852)</b>	<b>\$ (544,859)</b>	<b>\$ (12,007)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(2,224)	(2,224)
<b>Change in Fund Balance</b>	<b>\$ (532,852)</b>	<b>\$ (532,852)</b>	<b>\$ (547,083)</b>	<b>\$ (14,231)</b>
<b>Fund Balance - January 1</b>	<b>1,218,871</b>	<b>1,218,871</b>	<b>1,218,871</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 686,019</b>	<b>\$ 686,019</b>	<b>\$ 671,788</b>	<b>\$ (14,231)</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-6*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 330,950	\$ 330,950	\$ 327,329	\$ (3,621)
Intergovernmental	1,360	1,360	7,547	6,187
<b>Total Revenues</b>	<b>\$ 332,310</b>	<b>\$ 332,310</b>	<b>\$ 334,876</b>	<b>\$ 2,566</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 82,175	\$ 82,175	\$ 54,756	\$ 27,419
Public safety	140,135	140,135	115,883	24,252
Highways and streets	110,000	110,000	101,153	8,847
<b>Total Expenditures</b>	<b>\$ 332,310</b>	<b>\$ 332,310</b>	<b>\$ 271,792</b>	<b>\$ 60,518</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,084</b>	<b>\$ 63,084</b>
<b>Fund Balance - January 1</b>	<b>516,544</b>	<b>516,544</b>	<b>516,544</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 516,544</b>	<b>\$ 516,544</b>	<b>\$ 579,628</b>	<b>\$ 63,084</b>

**FIDUCIARY FUNDS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**AGENCY FUNDS**

The Employee Benefit Plans Fund accounts for an Internal Revenue Service § 125 health benefit plan.

The Collaborative Fund accounts for grant revenue received and expended by the Family Services Collaborative.

The End of Year Liabilities Fund accounts for employee payroll liabilities due as of the end of the year but not disbursed until the following year.

The Settlement Fund accounts for the collection and distribution of property taxes (current and delinquent).

The State Revenue Fund accounts for the money received from and due to the state.

The Taxes and Penalties Fund accounts for the collection and distribution of prepaid taxes and proceeds from the sale of property for unpaid taxes.

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>EMPLOYEE BENEFIT PLANS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 97,278</u>	<u>\$ 1,096,288</u>	<u>\$ 1,096,646</u>	<u>\$ 96,920</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ 97,278</u>	<u>\$ 1,096,288</u>	<u>\$ 1,096,646</u>	<u>\$ 96,920</u>
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 107,292</u>	<u>\$ 31,313</u>	<u>\$ 75,979</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ -</u>	<u>\$ 107,292</u>	<u>\$ 31,313</u>	<u>\$ 75,979</u>
 <b><u>END OF YEAR LIABILITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 414,060</u>	<u>\$ 464,889</u>	<u>\$ 414,060</u>	<u>\$ 464,889</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ 414,060</u>	<u>\$ 464,889</u>	<u>\$ 414,060</u>	<u>\$ 464,889</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SETTLEMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 900,173</u>	<u>\$ 55,883,381</u>	<u>\$ 55,791,673</u>	<u>\$ 991,881</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 900,173</u>	<u>\$ 55,883,381</u>	<u>\$ 55,791,673</u>	<u>\$ 991,881</u>
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 129,909</u>	<u>\$ 1,454,759</u>	<u>\$ 1,461,676</u>	<u>\$ 122,992</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 129,909</u>	<u>\$ 1,454,759</u>	<u>\$ 1,461,676</u>	<u>\$ 122,992</u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 135,113</u>	<u>\$ 1,075,222</u>	<u>\$ 601,582</u>	<u>\$ 608,753</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 135,113</u>	<u>\$ 1,075,222</u>	<u>\$ 601,582</u>	<u>\$ 608,753</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

***EXHIBIT C-1  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 1,676,533</u>	<u>\$ 60,081,831</u>	<u>\$ 59,396,950</u>	<u>\$ 2,361,414</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 511,338	\$ 1,668,469	\$ 1,542,019	\$ 637,788
Due to other governments	<u>1,165,195</u>	<u>58,413,362</u>	<u>57,854,931</u>	<u>1,723,626</u>
<b>Total Liabilities</b>	<u><b>\$ 1,676,533</b></u>	<u><b>\$ 60,081,831</b></u>	<u><b>\$ 59,396,950</b></u>	<u><b>\$ 2,361,414</b></u>

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## **OTHER SCHEDULES**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Appropriations and Shared Revenue**

**State**

Highway users tax	\$ 5,421,097
PERA rate reimbursement	54,309
Disparity reduction aid	40,731
Police aid	137,156
County program aid	2,574,734
County program aid - aquatic	91,243
Riparian Protection Aid	71,730
Agricultural conservation credit	37,312
Market value credit	297,752
Enhanced 911	134,607
SCORE grant	147,963
Performance aid credit	7,133
	<u>7,133</u>

**Total appropriations and shared revenue** **\$ 9,015,767**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 1,236,997
Minnesota Department of Health	149,562
	<u>149,562</u>

**Total reimbursement for services** **\$ 1,386,559**

**Payments**

**Local**

Local contributions	\$ 27,375
Payments in lieu of taxes	324,335
	<u>324,335</u>

**Total payments** **\$ 351,710**

**Grants**

**State**

Minnesota Department/Board of	
Public Safety	\$ 26,925
Health	375,246
Employment and Economic Development	74,421
Natural Resources	126,520
Trial Courts	60,315
Human Services	2,413,669
Corrections	114,186
Water and Soil Resources	108,742
Veterans Affairs	10,000
Peace Officer Standards and Training Board	5,723
Pollution Control Agency	174,975
	<u>174,975</u>

**Total state** **\$ 3,490,722**

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT D-1  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 436,050
Commerce	223
Justice	198,564
Labor	8,617
Transportation	50,360
Environmental Protection	16,319
Education	1,933
Health and Human Services	3,131,568
Homeland Security	39,188

**Total federal** **\$ 3,882,822**

**Total state and federal grants** **\$ 7,373,544**

**Total Intergovernmental Revenue** **\$ 18,127,580**

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT D-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00102	\$ 107,819	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	401,825	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 509,644</b>	<b>\$ -</b>
<b>U.S. Department of Commerce</b>				
Passed Through Southeastern Minnesota Regional Emergency Communications Board State and Local Implementation Grant Program	11.549	A-SLIGP-2017-SEECB	\$ 223	\$ -
<b>U.S. Department of Justice</b>				
Direct				
Bulletproof Vest Partnership Program	16.607		\$ 1,597	\$ -
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		47,184	-
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVSP-2017- WINONAAO	55,886	-
Violence Against Women Formula Grants	16.588	A-SMART-2017- WINONAAO	12,599	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAG-2017- WINONACO	92,498	-
<b>Total U.S. Department of Justice</b>			<b>\$ 209,764</b>	<b>\$ -</b>
<b>U.S. Department of Labor</b>				
Passed Through Minnesota Department of Employment and Economic Development WIA Cluster				
WIA Adult Program	17.258	DEED-PY17	\$ 143	\$ 143
WIA Youth Activities	17.259	DEED-PY17	7,152	7,152
WIA Dislocated Worker Formula Grant	17.278	DEED-PY17	1,322	1,322
<b>Total U.S. Department of Labor</b>			<b>\$ 8,617</b>	<b>\$ 8,617</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	99985	\$ 16,886	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC17-2017 WINONASO	16,137	-
National Priority Safety Programs	20.616	F-ENFRC17-2017 WINONASO	7,487	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017 WINONASO	9,850	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 50,360</b>	<b>\$ -</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	12-700-00102	\$ 1,933	\$ -
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.069	12-700-00102	\$ 43,393	\$ -
TANF Cluster	93.283	12-700-00102	350	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$481,249)	93.558	1601MNTANF	62,409	-
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00102	51,032	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster	93.556	G-1601MNFPS	16,769	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$481,249)	93.558	1601MNTANF	408,972	-
Child Support Enforcement	93.563	1704MNCSES	569,210	-
Refugee and Entrant Assistance - State Administered Programs CCDF Cluster	93.566	1701MNRCA	1,058	-
Child Care and Development Block Grant	93.575	G1701MNCCDF	15,196	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRPG	28,494	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	13,694	-
Foster Care - Title IV-E	93.658	1701MNFOS	215,236	-
Social Services Block Grant	93.667	G-1701MNSOSR	261,104	-
Child Abuse and Neglect State Grants	93.669	G-1701MNCA01	3,000	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	1,995	-
Children's Health Insurance Program Medicaid Cluster	93.767	05-1705MN0301	400	-
Medical Assistance Program	93.778	05-1705MN5ADM	1,453,499	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,469,265)	93.778	05-1705MN5MAP	15,766	-
Passed Through Minnesota Department of Employment and Economic Development TANF Cluster				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$481,249)	93.558	DEED-PY17	9,868	9,868
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,171,445</b>	<b>\$ 9,868</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	Winona FBP	\$ 10,918	\$ -
Passed Through Minnesota Department of Public Safety Homeland Security Grant Program	97.067	A-DECN-SHSP-2016-SEECB F-EMPG-2017- WINONACO	334	-
Emergency Management Performance Grants	97.042	WINONACO	27,936	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 39,188</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 3,991,174</b>	<b>\$ 18,485</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

***EXHIBIT D-2  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>Totals by Cluster</b>				
Total expenditures for SNAP Cluster			\$ 401,825	
Total expenditures for WIA Cluster			8,617	
Total expenditures for Highway Planning and Construction Cluster			16,886	
Total expenditures for Highway Safety Cluster			23,624	
Total expenditures for TANF Cluster			481,249	
Total expenditures for CCDF Cluster			15,196	
Total expenditures for Medicaid Cluster			1,469,265	

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Winona County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Winona County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Winona County, it is not intended to and does not present the financial position or changes in net position of Winona County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Winona County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit D-1)	\$ 3,882,822
Deferred in 2016, recognized as revenue in 2017	
Nonpoint Source Implementation Grant (CFDA No. 66.460)	(16,319)
Promoting Safe and Stable Families (CFDA No. 93.556)	(3,003)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(65,113)
Chafee Foster Care Independence Program (CFDA No. 93.674)	(817)
Child Care and Development Block Grant (CFDA No. 93.575)	(1,230)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	(1,979)
Grants received more than 60 days after year-end, deferred in 2017	
WIC State Administrative Matching Grant for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	73,594
Temporary Assistance for Needy Families (CFDA No. 93.558)	105,202
Bulletproof Vest Partnership Program (CFDA No. 16.607)	281
Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	10,919
Child Support Enforcement (CFDA No. 93.563)	<u>6,817</u>
 Expenditures per Schedule of Expenditures of Federal Awards (Exhibit D-2)	 <u>\$ 3,991,174</u>



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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### Independent Auditor's Report

Board of County Commissioners  
Winona County  
Winona, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 9, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Winona County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2016-001, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Winona County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Winona County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Winona County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Winona County's Response to Findings**

Winona County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 9, 2018

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

#### Independent Auditor's Report

Board of County Commissioners  
Winona County  
Winona, Minnesota

#### **Report on Compliance for the Major Federal Program**

We have audited Winona County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2017. Winona County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Winona County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winona County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

***Basis for Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)***

As described in the accompanying Schedule of Findings and Questioned Costs, Winona County did not comply with requirements regarding CFDA No. 93.778 Medicaid Cluster, as described in finding number 2013-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Winona County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended December 31, 2017.

Winona County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Winona County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Winona County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal

control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be a material weakness.

Winona County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Winona County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 9, 2018

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**WINONA COUNTY  
WINONA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major program:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Qualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal program is:

Medicaid Cluster

CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

Winona County qualified as a low-risk auditee? **Yes**

## II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2015-001

#### Departmental Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place; and, where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel within several Winona County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. Specifically, this issue was noted in a review of receipting procedures in the Solid Waste Office.

**Context:** This is not unusual in operations the size of Winona County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County does not have the economic resources needed to hire additional accounting staff in order to segregate duties in every department.

**Recommendation:** We recommend Winona County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

**View of Responsible Official:** Concur

Finding Number 2016-001

Disbursement Approval

**Criteria:** Management is responsible for establishing and maintaining internal control over the various accounting cycles, including the processing of disbursements. Management is also responsible for the accuracy and completeness of all financial records and related information including, but not limited to, the controls over initiating, authorizing, recording, and processing disbursements in the general ledger system. The County's procedures indicate that disbursements are to be approved by the department head or designee.

**Condition:** During testing of disbursements for department head or designee approval, 1 of 40 invoices tested was approved by the department head or designee for their own expenditures. No other review was performed. Also, 1 of 40 invoices tested was not approved by the department head or designee.

**Context:** Proper approval by a supervisor who has oversight responsibility is an important function to ensuring amounts are accurate and proper. If the expenditures are for the department head or designee, another County employee should be reviewing and approving the disbursement.

**Effect:** Lack of review and approval over disbursements for a department head or designee increases the risk that an improper payment will be made with County funds.

**Cause:** There was a change in how training expenses and the state share of expenses were approved in accounts payable. More training needs to occur concerning this process.

**Recommendation:** We recommend all disbursements have an appropriate approval signature. If an expenditure is for a department head or designee, another County employee should be reviewing and signing for approval as well.

**View of Responsible Official:** Concur

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2013-003

Eligibility Intake Function

**Program:** U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

**Pass-Through Agency:** Minnesota Department of Human Services (DHS)

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

**Condition:** The Minnesota DHS maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. The County could not provide documentation for any supervisory case file reviews. In the case files tested for compliance with eligibility requirements, not all documentation was available or input correctly to support participant eligibility. The following exceptions were noted in a sample of 40 cases tested:

- fifteen case files did not have sufficient verification of asset information and/or were incorrectly entered into MAXIS;
- four case files did not have sufficient verification of income information and/or were incorrectly entered into MAXIS; and
- one case file had the signature of an individual other than the client on the health care application. No authorized representative form was on file to match the signature.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota contracts with the County to perform the “intake function” (meeting with the social service participant to determine income and categorical eligibility), while the Minnesota DHS maintains the MAXIS system, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Effect:** The improper input or updating of information into MAXIS and lack of verification or follow-up of eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible. The lack of case file reviews specific to the Medicaid Cluster increases the risk that clients will receive benefits when they are not eligible.

**Cause:** The County indicated the information was not entered appropriately and, in some instances, not verified by the worker due to error, not due to lack of knowledge about the policy. The increase in caseload demands has caused errors and lack of supervisory reviews being performed on a consistent basis.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input into MAXIS and issues are followed up in a timely manner. In addition, consideration should be given to performing supervisory case reviews specific to the Medicaid Cluster.

**View of Responsible Official:** Concur

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### MINNESOTA LEGAL COMPLIANCE

##### ITEMS ARISING THIS YEAR

Finding Number 2017-001

##### Prompt Payment of Invoices

**Criteria:** Pursuant to Minn. Stat. § 471.425, Winona County is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. For bills paid after the time period set by contract or standard payment period, the government entity must calculate and pay interest as required.

**Condition:** One of 25 invoices tested for compliance with Minn. Stat. § 471.425 was not paid within 35 days, and interest was not calculated or paid.

**Context:** Payments not being made timely could also be an indicator of other problems, such as poor procedural controls, poor internal controls, or cash flow problems.

**Effect:** Making payment on invoices after 35 days of the completed delivery of the goods or services or receipt of the invoice, whichever is later, is in noncompliance with Minnesota law if interest is not calculated and paid.

**Cause:** The invoice was received by email and was not reviewed until after the due date because of a busy schedule and several emails from that vendor.

**Recommendation:** We recommend the County make payments on vendor invoices in accordance with Minn. Stat. § 471.425.

**View of Responsible Official:** Concur

Finding Number 2017-002

Insufficient Collateral

**Criteria:** Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

**Condition:** The County had deposits at Merchants National Bank that were not adequately covered by Federal Deposit Insurance Corporation (FDIC) on May 31, 2017.

**Context:** Deposits in excess of FDIC were \$1,707,625 on May 31, 2017.

**Effect:** When a County has insufficient collateral with a bank, the County may not receive all deposits in the event of bank default.

**Cause:** The County was not monitoring deposits to ensure they were properly collateralized.

**Recommendation:** We recommend the County establish procedures to monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

**View of Responsible Official:** Concur

**V. PREVIOUSLY REPORTED ITEM RESOLVED**

2014-003 Audit Adjustments



County Administrator  
Kenneth J. Fritz

*Providing Effective Efficient Government*

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177 Main Street      Winona, Minnesota 55987      Phone (507) 457-6355  
kfritz@co.wionan.mn.us

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**REPRESENTATION OF WINONA COUNTY  
WINONA, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2015-001**

**Finding Title: Departmental Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Patrick Moga, Finance Director

Corrective Action Planned:

Winona County will need to review the cost benefit of hiring additional staff to correct the segregation of duties.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2016-001**

**Finding Title: Disbursement Approval**

Name of Contact Person Responsible for Corrective Action:

Patrick Moga, Finance Director

***County Board of Commissioners***

First District  
James G. Pomeroy

Second District  
Marie H. Kovecsi

Third District  
Steven E. Jacob

Fourth District  
Gregory D. Olson

Fifth District  
Marcia L. Ward

Corrective Action Planned:

Finance Staff will review invoices to ensure that the appropriate staff are signing invoices and that all invoices are signed or have a service arrangement for the expense.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2013-003**

**Finding Title: Eligibility Intake Function**

**Program: Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Naomi Morris, Fiscal Supervisor III and Heather Johnson, Community Services Director

Corrective Action Planned:

Winona County Income Maintenance department will continue to discuss appropriate verifications as well as the importance of updating MAXIS with the information on file with eligibility staff.

Winona County Income Maintenance department will also implement 2<sup>nd</sup> party case reviews to ensure accuracy of the case as well as documentation on file.

Winona County expects to see an increase in accuracy for case audits.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2017-001**

**Finding Title: Prompt Payment of Invoices**

Name of Contact Person Responsible for Corrective Action:

Patrick Moga, Finance Director

Corrective Action Planned:

Finance will monitor invoices to ensure that they are paid in a timely manner and if the invoice is disputed that documentation is attached why the invoice is paid late. An update will go to all Department Heads and staff to inform them about the prompt payment of invoices.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2017-002**

**Finding Title: Insufficient Collateral**

Name of Contact Person Responsible for Corrective Action:

Sandra Suchla, Auditor/Treasurer

Corrective Action Planned:

Sandra J. Suchla, County Auditor-Treasurer will more closely monitor county deposits. The County will participate in the Insured Cash Sweep program offered by two of the county depositories to assist in this correction.

Anticipated Completion Date:

December 31, 2018

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County Administrator  
Kenneth J. Fritz

**Providing Effective Efficient Government**

177 Main Street Winona, Minnesota 55987 Phone (507) 457-6355 kfritz@co.winona.mn.us

**REPRESENTATION OF WINONA COUNTY  
WINONA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Finding Number: 2014-003**  
**Finding Title: Audit Adjustments**

**Summary of Condition:** Audit reclassifications resulted in significant changes to Winona County’s financial statements. These reclassifications were reviewed and approved by the appropriate staff and are reflected in the financial statements.

**Summary of Corrective Action Previously Reported:** The County had reclassifications of \$54,451 and \$27,080 related to a capital lease issuance in 2016. The County will be considering to report the Capital Projects Fund as non-major in the future. The County will work in 2017 to correct audit reclassifications.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2015-001**  
**Finding Title: Departmental Segregation of Duties**

**Summary of Condition:** Due to the limited number of personnel within several Winona County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. Specifically, this issue is noted in the receipting procedures in the Solid Waste Office.

**County Board of Commissioners**

First District James G. Pomeroy	Second District Marie H. Kovecsi	Third District Steven E. Jacob	Fourth District Gregory D. Olson	Fifth District Marcia L. Ward
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**Summary of Corrective Action Previously Reported:** Winona County will need to review the cost benefit of hiring additional staff to correct the segregation of duties.

**Status:** Not Corrected. Winona County will need to review the cost benefit of hiring additional staff to correct the segregation of duties.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2016-001**

**Finding Title: Disbursement Internal Controls - Approval**

**Summary of Condition:** During testing of disbursements for department head or designee approval, 2 out of 40 invoices tested were approved by the department head or designee for their own expenditures. No other review was performed.

**Summary of Corrective Action Previously Reported:** Finance Staff will review invoices to ensure that Department Heads or designees are not signing their own reimbursements.

**Status:** Not Corrected. Finance will work to correct in 2018 by ensuring the appropriate staff are signing invoices and that each invoice is signed or has a service arrangement.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number: 2013-003**

**Finding Title: Program Eligibility Intake Function**

**Program: Medicaid Cluster (CFDA No. 93.778)**

**Summary of Condition:** The Minnesota DHS maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During review of the Medical Assistance Program, the asset information in the MAXIS system did not match the supporting documentation provided by the client in 4 of the 40 case files tested. Additionally, in 2 of the 40 cases, the income information was not appropriately verified.

**Summary of Corrective Action Previously Reported:** Staff will be coached to ensure that MAXIS matches the supporting documentation.

**Status:** Not Corrected. Will work to correct in 2019 and 2020. During the year, staff will be trained to ensure that MAXIS and the supporting documentation are the same.

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X